Subject: CCA Reflects - Proposition 10: Wrong Solution for Rent Control Reform - July 2018
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CCA Reflects is a monthly series where we share our insights on what is happening in DTLA and the region.

Proposition 10: Wrong Solution for Rent Control Reform

On November 6, 2018, California voters will be asked to cast their ballots on Proposition 10, an initiative that would allow local jurisdictions across the state to create their own rules on rent control. It is authored and funded by AIDS Healthcare Foundation president Michael Weinstein, who was also behind Measure S. Improving housing affordability and reducing homelessness are top priorities for our organization, which is why our members voted to officially oppose the initiative and why we believe it's important to explain how this position supports those goals.

Proposition 10 would repeal the Costa-Hawkins Rental Housing Act, a California statute passed in 1995 that regulates rent control. One of the key provisions of the law is "vacancy decontrol," a rule that allows landlords to charge market rent when a new tenant leases a unit. Costa-Hawkins also prohibits applying rent control to single family homes, most condo units, and multifamily rental units first occupied after February 1, 1995 (i.e., new construction).

Rent-stabilized units in L.A. are limited to rent increases between 3% and 8% per year, though the increases permitted by the Rent Adjustment Commission have only exceeded 3% in three out of the past 20 years, and they haven't exceeded 5% in any year since 1985. Here in Los Angeles there are approximately 600,000 rent-stabilized units, which is about 3/4 of the city's multifamily housing stock. Since 2001, upwards of 20,000 rent-stabilized units have been taken off the market for demolition, condo conversion, or other changes of use. Rent control is limited in L.A. to units built prior to October 1, 1978.

To support the Costa-Hawkins repeal initiative, proponents point to the declining number of rent-stabilized units, rent increases that occur when tenants vacate a unit, and the relative lack of stability for renters in condos, single-family homes, and newer multifamily units which are not subject to rent control.

Opponents argue that rent control is poorly targeted, with savings tied to length of tenancy rather than financial need, and that expanding rent control can depress housing production, worsening the housing shortage that's at the root of the affordability crisis. They also point to economic studies like those published by Diamond, McQuade, and Qian from Stanford University which show that while rent control policies benefit some, their net impact to renters is negative.

CCA recognizes that our current housing market is failing too many people. Unfortunately a full repeal of Costa Hawkins goes too far, setting the state up for a variety of abuses and unintended consequences, many of them irreversible. This is why not only business organizations and housing developers oppose Proposition 10, but also veterans groups, the California NAACP, and the Building Trades Council, one of the largest labor groups in the state.

One of CCA's main concerns with Proposition 10 is that it would completely remove all of the "guard rails" of the Costa-Hawkins Act, almost certainly leading to negative impacts on the supply of new housing and thereby decreasing overall housing affordability. Many cities across the state have been hostile to housing production, and this initiative would give them new tools to create barriers to development. These jurisdictions could, for example, apply vacancy control to new housing, dramatically increasing the financial risk of housing development and redirecting capital investment into other states and other sectors. This is the last thing we need in a state with a housing deficit of more than three million homes.

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Proposition 10 could threaten new housing production, including the Transit Oriented Communities (TOC) program which incentivizes the creation of affordable housing. A map of TOC projects is here.
Source: L.A. Department of City Planning, Housing Project Report, July 2018

Even in well-meaning cities there's potential for rent control regulations to have unintended negative consequences -- a theme we've seen time and again with "ballot box planning" initiatives like Proposition 13 and Proposition U, and now Proposition 10. Ballot measures like these tend to create more problems than they solve, and they've made it harder -- not easier -- to address the root causes of our housing affordability crisis.

Our other primary concern is the inflexibility of this initiative. Unlike rules enacted through the state legislature, Proposition 10's effects could only be reversed or reformed through another ballot measure. Rent control reform should be worked out in the state legislature, where its policy implications can be fully considered -- and where mistakes or changing circumstances

allow for the law to be revisited and fixed in the years to come. The time is ripe for a bill that reforms Costa-Hawkins' more out-of-date provisions while maintaining the guard rails that ensure continued housing production and a state of good repair for existing rental homes.

We know that resolving the housing crisis will require a comprehensive approach, addressing not just housing production but also tenant stability and public resources. We believe it's possible -- and, in fact, necessary -- to advance all of these interests simultaneously. That's why CCA is strongly supporting Proposition 1, a $4 billion housing bond for the construction of new affordable housing, which will also be on the November ballot.

Proposition 10 was not written with a holistic approach in mind, and its narrow focus would undermine efforts to provide more housing and increase public subsidies. CCA is committed to opposing Proposition 10 this November, and we will continue working with our members, state and local officials, and other key partners to advocate for comprehensive, win-win solutions to the housing crisis.

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